

January 20, 1999



OFFICE OF THE  
ATTORNEY GENERAL  
STATE OF TEXAS

OR99-0143

Mr. Tracy A. Pounders  
Assistant City Attorney  
City of Dallas  
City Hall  
Dallas, Texas 75201

Dear Mr. Pounders:

JOHN CORNYN  
Attorney General

You ask whether certain information is subject to required public disclosure under the Texas Open Records Act, chapter 552 of the Government Code. Your request was assigned ID# 121179.

P.O. Box 12548  
Austin, Texas  
78711-2548  
  
(512) 463-2100  
www.oag.state.tx.us

The City of Dallas (the "city") received a request for "all documents submitted to the Board of Adjustment by the Applicants in Appeals No. BDA 978C-106, BDA 978C-107, and BDA 978C-108." You have submitted numerous, corporate financial statements and leases for our review. You state that the submitted documents may contain proprietary information that is protected from disclosure by the Government Code. Gov't Code §§ 552.007, .305. You raise no exception to disclosure on behalf of the city, and make no arguments regarding the proprietary nature of the requested documents.

Since the property and privacy rights of third parties may be implicated by the release of the requested information, the applicants were notified of the request. See Gov't Code § 552.305 (permitting interested third party to submit to attorney general reasons why requested information should not be released); Open Records Decision No. 542 (1990) (determining that statutory predecessor to Gov't Code § 552.305 permits governmental body to rely on interested third party to raise and explain applicability of exception in Open Records Act in certain circumstances). The applicants responded to our notice by arguing that the submitted financial information is excepted from disclosure under sections 552.101, 552.103, and 552.110 of the Government Code.

Section 552.101 excepts from disclosure "information considered to be confidential by law, either constitutional, statutory, or by judicial decision." After

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reviewing the submitted documents, we do not believe that the information is confidential based on a right of privacy. See *Industrial Found. v. Texas Indus. Accident Bd.*, 540 S.W.2d 668 (Tex. 1976), *cert. denied*, 430 U.S. 931 (1977) (common-law privacy); Open Records Decision No. 600 at 4 (1992) (citing *Ramie v. City of Hedwig Village*, 765 F.2d 490 (5th Cir. 1985), *cert. denied*, 474 U.S. 1062 (1986)) (constitutional privacy). Common-law privacy protects the rights of individuals, not corporations. Open Records Decision No. 620 (1993). Corporations do not have a right to privacy. *United States v. Morton Salt Co.*, 338 U.S. 632, 652 (1950) (cited in *Rosen v. Matthews Constr. Co., Inc.*, 777 S.W.2d 434, 436 (Tex. App.--Houston [14th Dist.] 1989), *rev'd on other grounds*, 796 S.W.2d 692 (Tex. 1990)); see Open Records Decision No. 192 (1978) (stating that right of privacy protects feelings and sensibilities of human beings, and does not protect evaluation report on private college). Thus, the applicants have no right of privacy in their financial statements. Moreover, we do not find nor does any company point to a statute outside the Open Records Act that would deem the information confidential. We conclude that the information may not be withheld based on section 552.101.<sup>1</sup>

Section 552.103(a) excepts from disclosure information relating to litigation to which the state is or may be a party. The "litigation exception" enables a *governmental body* to protect its position in litigation "by forcing parties seeking information relating to that litigation to obtain it through discovery." Open Records Decision No. 551 at 3 (1990). The city has not raised section 552.103 as an exception to disclosure. Accordingly, we conclude that the submitted documents may not be withheld under section 552.103 of the Government Code.

Section 552.110 protects the property interests of third parties by excepting from disclosure two types of information: (1) trade secrets, and (2) commercial or financial information obtained from a person and privileged or confidential by statute or judicial decision.

The Texas Supreme Court has adopted the definition of "trade secret" from the Restatement of Torts, section 757, which holds a "trade secret" to be:

any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. It differs from

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<sup>1</sup>In Open Records Letter No. 98-1430 (1998), this office ruled that certain rental and deposit payments contained in the leases could be withheld under section 552.101 of the Government Code. To the extent that the submitted documents contain this type of rental and deposit information, that information must be withheld in accordance with Open Records Letter No. 98-1430.

other secret information in a business . . . in that it is not simply information as to a single or ephemeral event in the conduct of the business. . . . A trade secret is a process or device for continuous use in the operation of the business. . . . [It may] relate to the sale of goods or to other operations in the business, such as a code for determining discounts, rebates or other concessions in a price list or catalogue, or a list of specialized customers, or a method of bookkeeping or other office management.

Restatement of Torts § 757 cmt. b (1939); *see Hyde Corp. v. Huffines*, 314 S.W.2d 763, 776 (Tex.), *cert. denied*, 358 U.S. 898 (1958). If a governmental body takes no position with regard to the application of the “trade secrets” branch of section 552.110 to requested information, we accept a private person’s claim for exception as valid under that branch if that person establishes a *prima facie* case for exception and no one submits an argument that rebuts the claim as a matter of law. Open Records Decision No. 552 at 5(1990).<sup>2</sup>

In Open Records Decision No. 639 (1996), this office announced that it would follow the federal courts’ interpretation of exemption 4 to the federal Freedom of Information Act when applying the second prong of section 552.110 for commercial and financial information. In *National Parks & Conservation Ass’n v. Morton*, 498 F.2d 765 (D.C. Cir. 1974), the court concluded that for information to be excepted under exemption 4 to the Freedom of Information Act, disclosure of the requested information must be likely either to (1) impair the Government’s ability to obtain necessary information in the future, or (2) cause substantial harm to the competitive position of the person from whom the information was obtained. *National Parks & Conservation Ass’n v. Morton*, 498 F.2d 765, 770 (D.C. Cir. 1974). A business enterprise cannot succeed in a *National Parks* claim by a mere conclusory assertion of a possibility of commercial harm. Open Records Decision No. 639 at 4 (1996). To prove substantial competitive harm, the party seeking to prevent disclosure must show by specific factual or evidentiary material, not conclusory or generalized allegations, that it actually faces competition and that substantial competitive injury would likely result from disclosure. *Id.*

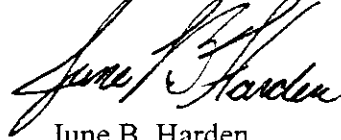
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<sup>2</sup>The six factors that the Restatement gives as indicia of whether information constitutes a trade secret are: “(1) the extent to which the information is known outside of [the company]; (2) the extent to which it is known by employees and other involved in [the company’s] business; (3) the extent of measures taken by [the company] to guard the secrecy of the information; (4) the value of the information to [the company] and [its] competitors; (5) the amount of effort or money expended by [the company] in developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.” RESTATEMENT OF TORTS, § 757 cmt. b (1939); *see also* Open Records Decision Nos. 319 at 2 (1982), 306 at 2 (1982), 255 at 2 (1980).

After careful review, we conclude that the applicants have made only unsubstantiated, conclusory statements regarding the confidentiality of their financial information. *See* Open Records Decision Nos. 639 at 4 (1996) (to prevent disclosure of commercial or financial information, party must show by specific factual or evidentiary material, not conclusory or generalized allegations, that it actually faces competition and that substantial competitive injury would likely result from disclosure), 552 at 5 (1990) (party must establish prima facie case that information is trade secret). Accordingly, the city must release the submitted information in its entirety.

We are resolving this matter with an informal letter ruling rather than with a published open records decision. This ruling is limited to the particular records at issue under the facts presented to us in this request and should not be relied on as a previous determination regarding any other records. If you have any questions regarding this ruling, please contact our office.

Yours very truly,



June B. Harden  
Assistant Attorney General  
Open Records Division

JBH/ch

Ref.: ID# 121179

Enclosures: Submitted documents

cc: Mr. Kenneth M. Larish  
Strasberger & Price  
901 Main Street, Suite 4300  
Dallas, Texas 75201  
(w/o enclosures)

Mr. Charles J. Quaid  
Quaid & Quaid, L.L.C.  
Premier Place, Suite 1950  
5910 North Central Expressway  
Dallas, Texas 75206  
(w/o enclosures)